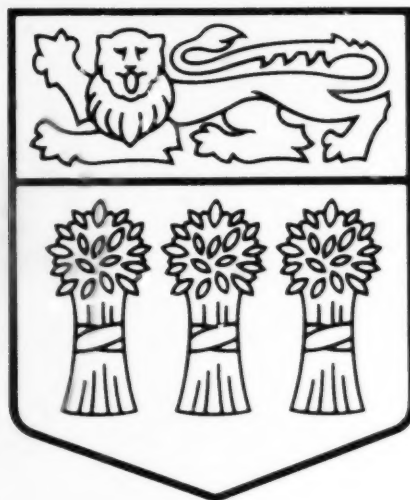


Saskatchewan Economic and Financial Position



September, 1988



**Saskatchewan
Finance**

The Hon. J. Gary Lane, Q.C.
Minister of Finance

Report from the Minister of Finance



I am pleased to present the annual summary report on Saskatchewan's economic and financial position.

This report provides the latest information on Saskatchewan's economic performance for the 1987 calendar year and the Government's preliminary financial results for the fiscal year ended March 31, 1988.

The past few years have been difficult for our provincial economy. We have had to contend with unpredictable weather, commodity price deflation, a revival of trade protectionism, volatile international financial markets and a costly grain subsidy war between the United States and the European Economic Community.

Despite these obstacles, Saskatchewan's economy continued to grow in 1987. At the same time, progress in reducing the deficit exceeded our expectations. Today I am pleased to present a number of key economic and financial indicators that illustrate last year's achievements:

- After adjusting for inflation, the value of all goods and services produced in the province rose 2.4 per cent.
- Saskatchewan's unemployment rate fell from 7.7 per cent in 1986 to 7.3 per cent last year, the second lowest rate in Canada.
- The value of new capital investment rose to a record \$4.3 billion, with a particularly strong contribution from the manufacturing sector.
- Finally, preliminary financial results show that our 1987-88 deficit was \$542 million, significantly below our original projection.

However, some sectors of the provincial economy performed better than others. Although the 1987 harvest of 22 million tonnes exceeded the long-term average, it was still down 12 per cent from the record crop in 1986. The resulting 11 per cent decline in the agricultural sector's economic output held down overall 1987 economic growth.

Our Government's diversification efforts increased the output in the non-agricultural sectors of Saskatchewan's economy by a strong 7.4 per cent last year. Clearly, our plan to build and diversify the economy and to strengthen our major export sectors has paid off. For example:

- The value of investment in Saskatchewan's manufacturing sector more than doubled last year.
- New and expanded meat processing facilities boosted the 1987 value of shipments by Saskatchewan's food processors.
- Sales and exports in the non-renewable resource sector recovered in 1987 from setbacks the previous year. Both volumes and prices rose for oil and potash, while demand for uranium strengthened.
- Deregulation provided a major impetus to the development of the province's natural gas sector. As well, the new price-sensitive royalty system stimulated an almost 50 per cent increase in oil and gas well drilling.

As a result of the rise in economic production, total personal income rose 2.3 per cent in 1987 to over \$16 billion. The increase in total personal income was diminished by a 34 per cent decline in the farm income component, due to the smaller 1987 harvest. Nevertheless, Saskatchewan's farmers achieved higher cash flow last year when realized net farm income rose 35 per cent to \$1.1 billion. Payments from the Special Canadian Grains Program, the Western Grain Stabilization Fund and other important government established programs supported farm incomes.

In March, 1987, we initiated a four-year financial and economic plan for the province. The key elements of this plan are:

- To protect and enhance essential services to health, education, families and farmers.
- To promote economic development and diversification.
- To continue to improve government efficiency and effectiveness; and
- To control and reduce the budget deficit.

In my 1987-88 Budget Address, I estimated that we would hold the deficit to \$577 million. But we have done even better. As I mentioned earlier, preliminary results indicate a 1987-88 deficit of \$542 million, \$35 million below my original projection. However, our success in reducing the deficit did not compromise our commitment to improve the quality of essential government services and to diversify the economy. I believe that our fiscal and economic plan has contributed to the increase in our standard of living and to the strengthening of Saskatchewan's economy.

We remain committed to this plan, and the 1988-89 budget builds on its initial success. We estimate that the 1988-89 deficit will fall to \$328 million. In addition, health and education remain our highest priorities and several major economic development and diversification initiatives have been undertaken.

The 1988 economic outlook remains uncertain. While grain prices have improved notably, our unpredictable weather has dealt harshly with Saskatchewan farmers. This year's drought has reduced provincial crop production to its lowest level in over 20 years and has jeopardized the viability of our livestock industry. As well, late season rains have damaged crop quality.

The year's unusually poor weather threatens to reverse the prospects of financial recovery in the province's troubled agricultural sector. For our part, we have introduced several new programs to protect our farmers from the drought's adverse consequences and we will continue to monitor the situation closely.

The economic uncertainty extends beyond agriculture. Prices for many important non-agricultural exports have improved in recent months, but others remain volatile. To some extent, these risks are unavoidable in a province heavily dependent on trade. Although we have limited influence over international commodity prices, we can improve our competitive position through fair and consistent trading rules. For this reason, the Government remains strongly committed to the Canada - United States Free Trade Agreement.

New economic diversification efforts will stimulate economic growth during 1988. Production has started at the \$200 million Weyerhaeuser paper mill, and the \$745 million NewGrade heavy oil upgrader is scheduled to begin operation later this year. Construction of the first unit of the \$1.1 billion Shand Power Station project is under way, and work on the \$1.3 billion Husky upgrader will start shortly. These projects will provide significant ongoing economic benefits to their respective regions and the province as a whole.

Public participation initiatives will encourage further economic development. The recent sale of the Meadow Lake sawmill to NorSask Forest Products, which will undertake a \$3.2 million mill modernization, has attracted new industry to the area. Other investment opportunities such as the recent SaskPower bond issue, and the creation of the Westbridge Computer Corporation and a consolidated Saskatchewan-based uranium company, will allow Saskatchewan people to have a stronger hand in our industrial development. We will continue to seek meaningful opportunities for public participation in government enterprises in order to further diversify and build the Saskatchewan economy.

In conclusion, the people of Saskatchewan have always been willing to build, diversify and invest in their province. This Government's common sense approach to effective management will ensure that we can continue to work with them as we develop together our province's economic opportunities.



J. Gary Lane, Q.C.
Minister of Finance

Economic Highlights

Gross Domestic Product

Saskatchewan's Gross Domestic Product at current market prices, the measure of the total value of goods and services produced in the province, rose 6.3 per cent in 1987 to \$18,711 million.

Real Gross Domestic Product, calculated in terms of constant 1981 dollars, was \$18,401 million in 1987. This represented a 2.4 per cent increase over the 1986 level. Real Gross Domestic Product increased 10.3 per cent in 1986.

The slower economic growth experienced in the province last year was largely a result of a decline in measured farm sector output. The real value of Saskatchewan's grain and livestock exports, agricultural gross fixed capital formation and farm inventory change have together accounted for approximately one-quarter of total real Gross Domestic Product over the past five years. Changes in the growth rates of these components therefore affect overall Gross Domestic Product growth significantly.

A record harvest caused the agricultural components of real Gross Domestic Product to rise 25.8 per cent in 1986. Inventory accumulation amounted to \$1,245 million that year, measured in 1981 dollars. With the return to a more normal crop size, the real value of farm inventories fell \$342 million in 1987. This led to a 10.6 per cent decline in constant dollar agricultural Gross Domestic Product last year.

The remaining components of real Gross Domestic Product increased at an average rate of 7.4 per cent in 1987, demonstrating the fundamental soundness of Saskatchewan's non-agricultural economy. Real non-agricultural Gross Domestic Product increased 5.3 per cent during 1986.

An alternative measure of economic activity, real Final Domestic Demand, illustrates the impact of the farm inventory changes on Saskatchewan's measured output. As the sum of inflation-adjusted personal and government expenditure on goods and services and gross fixed capital formation, real Final Domestic Demand excludes the value of inventory change. Real Final Domestic Demand increased 0.6 per cent in 1986 and 2.7 per cent in 1987, demonstrating greater stability than growth in real Gross Domestic Product.

It should be noted that the 1987 Gross Domestic Product estimates reported in this document are based on preliminary data. As more complete information about prior years has become available, the Saskatchewan Bureau of Statistics has revised earlier estimates of provincial output. The incorporation of this new information, along with changes to the provincial accounts to allow them to conform with Canada's System of National Accounts, has resulted in revisions to the Gross Domestic Product growth rates reported in the December, 1987 **Economic and Financial Position.**

Personal Income

Total Saskatchewan personal income rose \$364 million, or 2.3 per cent, in 1987 to \$16,289 million. On a per capita basis, personal income increased \$300, or 1.9 per cent, to \$16,064.

All major components of total personal income except net income received by farm operators from farm production increased in 1987. Net income received by farm operators from farm production fell 33.8 per cent to \$913 million as farmers drew down inventories.

As net income received by farm operators from farm production includes the value of farm inventory changes, it should be distinguished from realized net farm income, which measures farmers' cash flow after payment of operating expenses. Realized net farm income rose 34.7 per cent in 1987 to \$1,056 million.

Consumer Prices

Regina's inflation rate, as measured by the change in the Consumer Price Index, averaged 4.9 per cent in 1987. For Saskatoon the corresponding increase was also 4.9 per cent. The national inflation rate averaged 4.4 per cent during 1987.

Population and Labour Force

Saskatchewan's population on June 1, 1987 was estimated to be 1,014,000, up from the 1986 level of 1,010,200.

The average level of employment in the province rose by 1,000 in 1987 to 458,000. The provincial labour force averaged 495,000 over the year, unchanged from 1986.

Saskatchewan unemployment fell from an average level of 38,000 in 1986 to 36,000 in 1987, and the province's average unemployment rate declined from 7.7 per cent to 7.3 per cent. Saskatchewan's average 1987 unemployment rate was the second lowest in Canada.

Agriculture

Saskatchewan's farmers produced 22.2 million tonnes of the six major grains and oilseeds in 1987, down 12.4 per cent from the record production of 1986. Farm cash receipts fell 4.5 per cent in 1987 to \$3,824 million, despite significant increases in receipts from livestock sales and payments from the Western Grain Stabilization Fund.

A \$285 million rise in income in kind and supplementary payments, including Special Canadian Grains Program payments, combined with a \$169 million decrease in operating and depreciation expenses to increase realized net farm income 34.7 per cent in 1987 to \$1,056 million.

Minerals

The total value of mineral sales rose to \$3,233 million in 1987, an increase of 27.2 per cent. The value of sales of oil and potash increased by 29.1 per cent and 28.5 per cent, respectively. The value of uranium sales increased by 39.4 per cent, to a record \$637 million.

Oil and gas exploration activity recovered significantly in 1987. A total of 1,602 new wells were drilled, up from 1,079 in 1986.

Trade with the Rest of Canada and Abroad

The total current dollar value of Saskatchewan's exports rose 20.9 per cent in 1987 to \$7,406 million. Recovery in the value of sales of Saskatchewan's three principal export commodities, grain, crude oil and potash, contributed to the 1987 increase. The total value of exports fell 18.1 per cent in 1986, reflecting that year's drop in basic commodity prices.

Measured in constant 1981 dollars, the total value of Saskatchewan's exports rose 21.7 per cent in 1987 to \$10,361 million.

The total current dollar value of Saskatchewan's imports from the rest of Canada and abroad rose 10.0 per cent in 1987 to \$7,168 million. Measured in constant 1981 dollars, it rose 3.5 per cent to \$5,383 million.

Manufacturing and Retail Trade

The estimated value of manufacturing shipments rose by \$110 million in 1987 to \$3,127 million. Last year's 3.6 per cent Saskatchewan growth rate exceeded the 1986 rate of 1.1 per cent.

The value of retail trade in the province rose \$255 million in 1987 to \$5,254 million. This represents a 5.1 per cent increase.

Private and Public Investment

The value of private and public investment rose \$549 million, or 10.7 per cent, in 1987 to \$5,684 million. Spending on new capital alone rose \$551 million, or 14.6 per cent, to \$4,324 million, while repair and maintenance spending fell \$1 million, or 0.1 per cent, to \$1,360 million.

Statistics Canada's survey of investment intentions indicates that investment spending in Saskatchewan will continue to increase in 1988. The survey predicts that private and public investment will rise a further 12.5 per cent this year.

Saskatchewan Economic Statistics

Calendar Year	1983	1984	1985	1986	Preliminary 1987
Gross Domestic Product - Current Prices - Millions of Dollars					
Personal Expenditure on Goods and Services	8,694	9,458	10,115	10,824	11,646
Government Expenditure on Goods and Services	3,154	3,367	3,573	3,779	3,951
Gross Fixed Capital Formation	4,107	4,033	4,249	3,914	4,308
Value of Physical Change in Inventories					
Non-Farm	(131)	329	(149)	120	(58)
Farm Inventories and Grain in Commercial Channels	(177)	(708)	287	821	(186)
Exports of Goods	7,416	8,481	7,479	6,125	7,406
Minus: Imports of Goods	6,093	6,210	6,443	6,518	7,168
Net Exports of Services and Residual Error	(1,772)	(1,876)	(1,757)	(1,468)	(1,187)
Gross Domestic Product	15,199	16,875	17,354	17,597	18,711
Annual Rate of Change (Per Cent)	2.7	11.0	2.8	1.4	6.3
Per Capita Gross Domestic Product (Current Dollars)	15,363	16,867	17,209	17,419	18,452
Gross Domestic Product - Millions of Constant 1981 Dollars					
Personal Expenditure on Goods and Services	7,498	7,840	8,097	8,466	8,618
Government Expenditure on Goods and Services	2,584	2,547	2,600	2,667	2,735
Gross Fixed Capital Formation	3,719	3,586	3,567	3,211	3,375
Value of Physical Change in Inventories					
Non-Farm	(88)	299	(115)	102	(139)
Farm Inventories and Grain in Commercial Channels	(269)	(809)	435	1,245	(342)
Exports of Goods	8,077	8,800	8,184	8,516	10,361
Minus: Imports of Goods	5,364	5,316	5,180	5,200	5,383
Net Exports of Services, Residual Error and Adjustments	(1,497)	(1,490)	(1,296)	(1,038)	(824)
Real Gross Domestic Product	14,660	15,457	16,292	17,969	18,401
Annual Rate of Change (Per Cent)	(0.4)	5.4	5.4	10.3	2.4
Per Capita Gross Domestic Product (1981 Dollars)	14,819	15,450	16,156	17,788	18,146
Gross Domestic Product at Factor Cost by Industry - Current Prices - Millions of Dollars					
Total Primary Industries and Construction	3,749	4,083	4,365	4,124	4,564
Agriculture	1,530	1,420	1,760	2,216	2,054
Forestry	44	50	40	40	42
Mining	1,408	1,899	1,909	1,163	1,668
Construction	760	707	648	696	792
Manufacturing	759	903	937	1,058	1,147
Transportation, Communication and Storage	1,183	1,320	1,311	1,415	1,512
Utilities	272	327	369	378	445
Trade	1,389	1,527	1,648	1,737	1,814
Finance, Insurance and Real Estate	2,851	3,265	3,295	3,444	3,709
Services	2,973	3,294	3,548	3,871	3,991
Public Administration	1,181	1,217	1,254	1,302	1,317
Gross Domestic Product at Factor Cost	14,356	15,936	16,727	17,329	18,500
Indirect Taxes Less Subsidies	843	940	627	268	211
Gross Domestic Product	15,199	16,875	17,354	17,597	18,711

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1983	1984	1985	1986	Preliminary 1987
Trade with the Rest of Canada and Abroad - Current Prices - Millions of Dollars					
Exports					
Grain	3,201	3,308	2,273	2,018	2,341
Crude Oil	1,706	2,015	2,133	1,074	1,516
Potash	686	829	621	552	707
Manufactured Goods to Rest of Canada	753	802	839	820	864
Other	1,069	1,527	1,613	1,660	1,977
Total Exports	7,416	8,481	7,479	6,125	7,406
Imports					
Crude Oil	342	367	373	232	314
Natural Gas	179	174	135	90	53
Manufactured Goods from Rest of Canada	2,593	2,883	3,116	3,134	3,281
Other	2,980	2,785	2,820	3,062	3,520
Total Imports	6,093	6,210	6,443	6,518	7,168
Trade with the Rest of Canada and Abroad - Millions of Constant 1981 Dollars					
Exports					
Grain	3,618	3,512	2,769	3,095	4,166
Crude Oil	1,734	1,978	2,107	2,128	2,424
Potash	1,018	1,080	984	975	1,084
Manufactured Goods to Rest of Canada	687	697	715	681	698
Other	1,020	1,532	1,609	1,637	1,990
Total Exports	8,077	8,800	8,184	8,516	10,361
Imports					
Crude Oil	213	221	219	253	284
Natural Gas	160	152	127	104	80
Manufactured Goods from Rest of Canada	2,349	2,499	2,627	2,620	2,674
Other	2,642	2,445	2,207	2,223	2,346
Total Imports	5,364	5,316	5,180	5,200	5,383
Value of Mineral Sales - Millions of Dollars					
Oil	1,772	2,164	2,399	1,174	1,516
Potash	686	829	622	550	707
Uranium	121	354	456	457	637
Other	232	304	328	361	372
Total Value of Mineral Sales	2,811	3,651	3,805	2,542	3,233
Volume of Mineral Sales					
Oil - Thousands of Cubic Metres	9,526	10,758	11,541	11,721	12,117
Potash - Thousands of Tonnes	6,599	6,998	6,377	6,312	7,022
Uranium - Thousands of Kilograms	1,621	5,852	7,337	7,444	11,223

Saskatchewan Economic Statistics (Cont.)

Calendar Year	1983	1984	1985	1986	Preliminary 1987
Personal Income - Millions of Dollars					
Wages, Salaries and Supplementary Labour Income	6,669	7,190	7,544	7,974	8,281
Net Income Received by Farm Operators from Farm					
Production	564	297	831	1,380	913
Other Income	4,999	5,483	6,027	6,571	7,095
Total Personal Income	12,231	12,970	14,402	15,925	16,289
Farm Income - Millions of Dollars					
Farm Cash Receipts	3,964	4,324	4,050	4,006	3,824
Income in Kind and Supplementary Payments	40	71	86	175	460
Realized Gross Farm Income	4,004	4,395	4,136	4,181	4,284
Minus: Operating and Depreciation Charges	3,251	3,346	3,448	3,397	3,228
Realized Net Farm Income	753	1,049	687	784	1,056
Value of Inventory Change	(172)	(703)	162	584	(100)
Total Net Income of Farm Operators from Farm Production	581	346	850	1,368	956
Minus: Amounts Included in Other Components of Gross					
Domestic Product and Transfers to Persons	18	34	35	44	43
Plus: Other Adjustments	1	(14)	17	55	0
Net Income Received by Farm Operators from Farm					
Production	564	297	831	1,380	913
Population and Labour Force - Thousands of Persons					
Population as of June 1	989	1,001	1,008	1,010	1,014
Labour Force	470	477	491	495	495
Participation Rate (Per Cent)	65.2	65.1	66.4	66.9	66.7
Employed	436	439	452	457	458
Unemployed	35	38	40	38	36
Unemployment Rate, Saskatchewan (Per Cent)	7.4	8.0	8.1	7.7	7.3
Unemployment Rate, Canada (Per Cent)	11.9	11.3	10.5	9.6	8.9
Consumer Price Index - Annual Percentage Change					
Regina	6.4	4.4	3.7	2.1	4.9
Saskatoon	6.3	3.5	3.5	4.1	4.9
Canada	5.8	4.4	4.0	4.1	4.4
Private and Public Investment - Millions of Dollars					
New Capital Investment					
Construction	2,482	2,383	2,744	2,436	2,782
Machinery and Equipment	1,514	1,531	1,349	1,337	1,542
Total New Capital Investment	3,996	3,915	4,093	3,773	4,324
Repair and Maintenance	1,226	1,321	1,410	1,361	1,360
Total Private and Public Investment	5,222	5,235	5,503	5,135	5,684
Other					
Value of Manufacturing Shipments - Millions of Dollars	2,619	2,852	2,983	3,017	3,127
Value of Retail Trade - Millions of Dollars	4,357	4,354	4,704	4,999	5,254
Housing Starts - Units	7,269	5,221	5,354	5,510	4,895
Electric Power Generated - Millions of Kilowatt Hours	10,389	11,543	11,838	11,913	12,440

Note: Components may not add to totals due to rounding.

Sources: Saskatchewan Bureau of Statistics, Saskatchewan Energy and Mines, Statistics Canada

Financial Highlights

1987-88 Fiscal Year Preliminary Results

Summary of Fiscal Position

The preliminary results for the 1987-88 fiscal year indicate that Combined Funds revenue totalled \$3,295.8 million, while Combined Funds expenditure totalled \$3,838.3 million. The result was a Combined Funds deficit for 1987-88 of \$542.5 million.

Receipts for loans, investments and deposits in 1987-88 totalled \$2,382.4 million. Disbursements totalled \$2,036.6 million, providing an excess of receipts over disbursements of \$345.8 million. Total cash requirements in 1987-88 therefore, totalled \$196.6 million.

Revenues and Expenditures

Combined Funds revenue in 1987-88 increased by 17.7 per cent over 1986-87. The main factors contributing to this increase were increased income tax revenue of \$81.4 million, increased sales tax revenue of \$98.7 million, increased tobacco tax revenue of \$11.2 million, and increased fuel tax revenue of \$129.6 million. Heritage Fund revenue increased by \$102.2 million, including increased potash revenue of \$11.9 million and increased oil revenue of \$134.3 million through a combination of higher than anticipated oil prices and increased production.

Combined Funds expenditure totalled \$3,838.3 million in 1987-88, a decrease of 4.8 per cent from 1986-87. The major factors leading to this were implementation of the government's deficit reduction strategy which called for a reduction in the size of the civil service by over 2,000 positions, imposition of an employee wage policy calling for no wage increase for at least two years, continued efficiency improvements for the administration of government programming, and general restraint in the area of payments to third parties. Further improvements resulted from reduced loan loss provisions respecting loans to the agricultural sector.

Financing and Debt Management

During fiscal year 1987-88 gross debt outstanding in the name of the Province increased by \$415.0 million (Canadian funds equivalent). This increase was comprised of \$429.8 million required by the Province, \$129.7 million (net of redemptions) borrowed by the Province on behalf of the Crown corporations and others and a \$144.5 million decrease resulting from a change in foreign exchange rates. At March 31, 1988, gross debt of the Province was \$10,222.2 million of which approximately 69.0 per cent was incurred for the purposes of Crown corporations and 31.0 per cent was incurred for general government purposes. Also 80.1 per cent of the gross debt of the Province at March 31, 1988 was denominated in Canadian dollars, 17.2 per cent was in U.S. dollars, 2.2 per cent was in Swiss francs and 0.5 per cent was in Japanese yen. The Crown corporations are responsible for repayment in full of interest and principal on borrowing on their behalf by the Province.

Debentures sold during fiscal year 1987-88 amounted to \$1,536.2 million (Canadian equivalent), comprised of \$1,447.9 million in medium-term debentures issued in the public markets and \$88.3 million in long-term instruments issued to the Minister of Finance of Canada respecting the Canada Pension Plan Investment Fund. Proceeds of these issues were directed to Crown corporations in the amount of \$850.0 million (Canadian equivalent) to assist in meeting their capital investment needs, and to general government purposes in the amount of \$686.2 million.

Debentures redeemed in fiscal year 1987-88 amounted to \$467.0 million. Of these debentures, \$5.5 million was for the purpose of the Province and the remaining \$461.5 was for the purpose of the Crown corporations. Contributions to the Province's sinking funds totalled \$19.3 million in fiscal year 1987-88, of which \$18.8 million was contributed by Crown corporations in respect of the debt incurred by the Province for the purposes of those corporations and \$0.5 million was contributed by the Province in respect of debt incurred for its own purposes.

Treasury bills and promissory notes outstanding decreased by \$563.2 million in fiscal year 1987-88.

In addition to new direct borrowing activities in fiscal year 1987-88, the Saskatchewan Power Corporation issued \$121.3 million Series IV Saskatchewan Power Savings Bonds to Saskatchewan residents. These bonds were unconditionally guaranteed as to principal and interest by the Province.

Assets, Liabilities and Equity

Total Combined Funds assets reached \$7,502.8 million, at March 31, 1988 down marginally from 1986-87.

Combined Funds liabilities reached \$10,012.6 million at March 31, 1988 compared to \$9,475.8 million for the previous year. This increase was a direct reflection of debt incurred on behalf of Crown entities and new borrowing undertaken to provide for general government purposes.

Combined Funds equity at March 31, 1988 totalled \$(2,509.8) million.

1988-89 Budget Estimates

The Saskatchewan Budget Estimates for Combined Funds for 1988-89 project total revenues of \$3,607.7 million and total expenditures of \$3,935.9 million, for a combined deficit of \$328.2 million.

The budget continues the course of deficit adjustment introduced in 1987-88.

The budget embodies four broad objectives.

- Protection and enhancement of essential services to health, education, family services, and the family farm;
- Continued commitment to economic development and diversification;
- Continued improvement in the efficiency and effectiveness of government; and
- Continued responsible reduction in the deficit.

The Budget Address announced a number of revenue initiatives for 1988-89 designed to increase revenues by \$80 million. A 2 per cent surcharge on the value of production of large resource corporations was introduced under the Saskatchewan Corporation Capital Tax, and the tax rate on tobacco was increased from \$1.17 to \$1.42 per package of 25 cigarettes with similar increases for other tobacco products. The Saskatchewan Flat Tax was increased from 1.5 per cent to 2.0 per cent of net income.

With respect to expenditures, the 1988-89 budget projects that combined expenditures will be only 4.3 per cent greater than the 1987-88 budgeted amount. In comparison to preliminary actuals for 1987-88, this represents an increase of only 2.5 per cent.

The 1988-89 budget continues the government's support to social programming for Saskatchewan residents. Further, of the total program expenditure increase, 82.0 per cent is directed towards health and education.

Health expenditure is projected to increase by 5.6 per cent. Included in this is a 6.2 per cent increase in funding to hospitals, a 16.0 per cent increase in funding to combat substance abuse, and increases to home care, mental health services, and public information services. The Government has also announced a Saskatchewan Commission on Directions in Health Care to inquire into and report on the future health care requirements of the residents of Saskatchewan and the appropriate means by which those requirements may be met.

Education expenditure is projected to increase by 5.2 per cent. This includes \$7.0 million in additional operating grants to schools, \$14.5 million for the Education Development Fund for upgrading of the educational system, and \$2.8 million in new operating funding to universities.

The budget also maintains continued support for agriculture and the family farm. In addition to continued support through the Production Loan Program, the Farmers' Oil Royalty Rebate Program, and the Counselling and Assistance for Farmers Program, \$30.0 million is provided for the Agriculture Development Fund, and \$15.0 million for irrigation-based economic development.

The budget continues initiatives to support diversification of the economy.

- 5 year, 50 million seedling reforestation program,
- 3 year, \$30.0 million highway resurfacing program,
- 5 year, \$23.0 million heavy oil research and development program, and
- total expenditures of \$27.6 million from the Economic Diversification and Investment Fund.

Government efficiency improvements continue, with reduced expenditures for 11 government departments and agencies.

The 1988-89 capital financing requirements are estimated to total \$1,181.0 million of which \$727.8 million will be for the purposes of Crown corporations and \$453.2 million will be for government purposes. Debt retirement is expected to amount to \$623.9 million resulting in an increase in public borrowing of \$557.1 million in 1988-89.

Borrowing by the Province from the Canada Pension Plan Investment Fund is estimated at \$100.0 million leaving \$1,081.0 million to be raised in various capital markets during 1988-89.

**Government of the Province of Saskatchewan
Combined Funds
Statement of Financial Position**

At March 31

Assets	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Cash and Short-term Investments (Note 1e).....	\$ 122,607	\$ 120,229	\$ 7,522	\$ (140,975)	\$ (33,646)
Short-term Loans to Crown Entities (Note 1f).....	260,356	202,554	199,225	237,324	493,170
Medium and Long-term Loans to Crown Entities (Note 1g) ..	4,167,314	4,632,562	6,044,699	6,312,370	5,907,064
Other Loans (Note 1h).....	62,704	131,570	288,831	190,650	156,443
Investments in Crown Entities (note 1i).....	838,730	838,730	747,230	747,230	824,812
Investment in Agricultural Land and Related Assets (Note 1j)	166,184	163,881	159,307	157,175	149,945
Other Investments (Note 1k).....	603	13,200	10,357	6,870	5,034
Total Assets	\$ 5,618,498	\$ 6,102,726	\$ 7,457,171	\$ 7,510,644	\$ 7,502,822
Liabilities and Province's (Net Debt) Equity					
Public Debt (Note 1l)					
Promissory Notes (Note 1l).....	\$ 297,000	\$ 612,000	\$ 1,780,600	\$ 1,762,615	\$ 1,199,380
Treasury Bills (Note 1l).....	451,500	459,540	653,400	650,000	650,000
Debitures (Note 1l).....	4,710,987	5,356,713	5,965,624	7,394,556	8,372,838
Less: Sinking Funds (Note 1l).....	(310,676)	(353,205)	(408,712)	(428,110)	(454,552)
	\$ 5,148,811	\$ 6,075,048	\$ 7,990,912	\$ 9,379,061	\$ 9,767,666
Amounts Payable to Crown Entities (Note 1m).....	117,484	86,819	127,071	92,180	220,396
Conditional Receipts (Note 1n).....	6,547	6,167	5,239	4,590	24,539
	\$ 5,272,842	\$ 6,168,034	\$ 8,123,222	\$ 9,475,831	\$ 10,012,601
Province's (Net Debt) Equity.....	345,656	(65,308)	(666,051)	(1,965,187)	(2,509,779)
Total Liabilities and Province's (Net Debt) Equity	\$ 5,618,498	\$ 6,102,726	\$ 7,457,171	\$ 7,510,644	\$ 7,502,822

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Province's (Net Debt) Equity**

At March 31

	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Province's Equity, Beginning of Year.....	\$ 711,573	\$ 345,656	\$ (65,308)	\$ (666,051)	\$ (1,965,187)
Excess of Revenue Over Expenditure.....	(331,394)	(379,796)	(578,877)	(1,232,143)	(542,455)
Sinking Fund Earnings Retained in Sinking Funds.....	2,517	2,443	3,843	2,452	2,548
Write-down of Short-term Investments.....	—	(1,221)	—	—	—
Write-down of Other Investments.....	—	—	(537)	—	—
Provision for Doubtful Accounts in Respect of Other Loans ..	(18,752)	(32,314)	(23,574)	(10,931)	(1,516)
Loss on Sale of Land.....	(4)	(45)	(287)	(116)	(1,582)
Write-off of Other Loans.....	(200)	(31)	(10)	—	—
Deficiency Arising from the Transfer of the Assets and Liabilities of the Saskatchewan Land Bank Commission...	(13,657)	—	—	—	—
Deficiency Arising from the Transfer of the Assets and Liabilities of the Saskatchewan Universities Commission...	(4,427)	—	—	—	—
Unrealized Gain (Loss) on Foreign Currency Translation....	—	—	—	—	246
Write-down of Loans to Crown Entities.....	—	—	(1,301)	(58,398)	(1,833)
Province's (Net Debt) Equity, End of Year.....	\$ 345,656	\$ (65,308)	\$ (666,051)	\$ (1,965,187)	\$ (2,509,779)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Revenue	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Provincial Taxes					
Corporation Capital	\$ 28,985	\$ 27,885	\$ 30,530	\$ 48,256	\$ 55,218
Corporation Income	132,205	121,454	129,400	118,801	123,726
Fuel	13,593	32,108	30,723	31,541	161,168
Individual Income	565,209	554,260	627,870	692,079	768,555
Insurance	16,477	17,472	17,318	19,543	20,089
Mineral Acreage	3,765	3,762	3,353	3,367	5,917
Sales	340,325	345,014	374,296	356,597	455,302
Tobacco	48,823	59,967	70,392	78,584	89,810
Other Taxes	6,030	6,033	5,753	6,387	7,150
Total Provincial Taxes	\$ 1,155,412	\$ 1,167,955	\$ 1,289,635	\$ 1,355,155	\$ 1,686,935
Receipts from Government Enterprises and Other Funds					
Profits Transferred from Saskatchewan Housing Corporation	\$ —	\$ 20,074	\$ 6,161	\$ 583	\$ 2,094
Saskatchewan Liquor Board	79,000	71,000	84,000	140,000	—
Other Receipts	5,447	9,374	5,039	6,097	3,818
Total Receipts from Government Enterprises and Other Funds	\$ 84,447	\$ 100,448	\$ 95,200	\$ 146,680	\$ 5,912
Other Own Source Revenues					
Agricultural Lands					
Land Sales	\$ 11,883	\$ 8,862	\$ 9,795	\$ 6,490	\$ 7,758
Lease Revenue	8,176	9,053	10,331	9,836	11,681
Interest and Other	276	702	926	1,174	1,242
Fines, Forfeits, and Penalties	7,380	7,557	7,152	8,846	9,040
Interest, Premium, Discount, and Exchange	23,248	23,115	50,906	20,259	25,407
Non-Renewable Resources					
Coal	15,775	17,438	10,688	13,557	18,439
Natural Gas	4,595	9,652	13,332	21,887	22,178
Oil	640,322	645,625	638,661	212,926	347,261
Crude Oil Export Charge	44,212	94,732	35,276	—	—
Potash	39,702	71,177	32,592	36,982	48,899
Sodium Sulphate	1,696	1,393	1,190	1,085	812
Uranium	11,117	25,169	36,269	17,807	19,718
Other	599	435	978	763	1,187
Privileges, Licences, and Permits					
Lands, Forest, Game, Fur, Fisheries, and Water	9,956	10,032	10,072	10,970	11,614
Motor Vehicles	54,187	57,346	60,281	61,255	67,874
Other	7,433	8,015	10,294	9,883	17,479
Sales, Services and Service Fees	34,656	38,359	64,033	40,627	45,928
Other Revenues	20,716	20,465	19,498	24,871	23,659
Total Other Own Source Revenues	\$ 935,929	\$ 1,049,127	\$ 1,012,274	\$ 499,218	\$ 680,176
Receipts from Other Governments					
Agricultural and Rural Development Act	\$ 261	\$ 345	\$ 538	\$ 326	\$ 125
Canada Assistance Plan	139,766	143,667	149,131	160,548	156,801
Department of Regional Industrial Expansion	6,900	2,665	531	1,131	603
Equalization Payment (Note 2b)	(22,913)	(22,913)	(22,913)	145,665	302,675
Established Programs Financing	372,648	420,181	445,063	409,307	406,233
Manpower Agreements	19,877	28,605	21,611	19,805	11,677
Statutory Subsidy	2,160	2,178	2,175	2,175	2,192
Other Federal Contributions	33,075	15,568	46,896	50,003	33,873
Other Receipts	5,931	7,732	8,930	10,505	8,602
Total Receipts from Other Governments	\$ 557,705	\$ 598,028	\$ 651,962	\$ 799,465	\$ 922,781
Total Revenue	\$ 2,733,493	\$ 2,915,558	\$ 3,049,071	\$ 2,800,518	\$ 3,295,804

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Revenue and Expenditure**

For the Year Ended March 31

Expenditure	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Advanced Education and Manpower	\$ 231,509	\$ 257,104	\$ 253,743	\$ 263,822	\$ —
Agriculture	87,817	130,624	220,338	298,441	165,263
Consumer and Commercial Affairs	5,136	5,667	5,418	5,174	5,435
Co-operation and Co-operative Development	2,879	2,865	2,974	2,860	—
Culture and Recreation	16,716	20,992	18,827	21,667	—
Economic Development and Tourism	4,955	22,608	10,835	14,497	30,858
Education	415,087	378,983	423,592	437,445	779,870
Employment Development Agency	—	222	102,098	203,592	—
Energy and Mines	51,930	39,493	35,507	19,530	19,743
Environment	8,173	10,554	7,172	7,296	12,800
Executive Council	7,158	6,904	6,877	11,904	6,611
Finance: Other	27,700	24,736	38,960	28,814	133,958
Interest on Public Debt (Note 1o)	56,513	102,470	190,322	192,587	282,043
Health	964,808	1,013,316	1,067,419	1,165,204	1,183,598
Highways and Transportation	213,725	208,524	216,329	223,194	215,473
Human Resources, Labour and Employment	9,431	9,527	10,170	10,558	54,332
Indian and Native Affairs Secretariat	4,831	4,459	2,423	2,583	—
Intergovernmental Affairs	64	—	—	—	—
Justice	102,954	107,955	104,776	112,417	128,013
Legislation	9,351	9,386	10,441	10,110	11,057
The Local Government Board	389	432	417	447	447
Local Government Finance Commission	—	—	416	234	—
Northern Affairs Secretariat	—	355	538	666	—
Department of Northern Saskatchewan	17,691	—	—	—	—
Parks, Recreation and Culture	55,470	70,166	61,647	58,131	103,870
Provincial Auditor	3,223	3,604	3,587	3,504	3,230
Provincial Secretary	569	605	714	933	2,728
Public and Private Rights Board	86	—	—	—	—
Public Participation	—	—	—	—	729
Public Service Commission	6,094	6,293	6,453	6,120	9,830
Revenue and Financial Services	72,525	117,506	121,646	135,630	—
Rural Development	51,368	53,847	53,811	55,391	54,380
The Saskatchewan Assessment Authority	4,726	5,668	5,678	4,731	—
Saskatchewan Crop Insurance Corporation	1,000	9,238	18,250	17,155	11,931
Saskatchewan Housing Corporation	—	—	33,510	45,937	110,584
Saskatchewan Library	7,434	7,578	7,822	8,225	—
Saskatchewan Property Management Corporation	—	—	—	—	8,102
The Saskatchewan Research Council	3,876	4,431	4,316	4,081	7,840
Saskatchewan Water Corporation	—	—	24,715	25,930	12,456
Science and Technology	201	2,448	3,967	5,001	2,434
Social Services	302,359	328,444	340,577	355,669	378,461
Supply and Services	90,879	92,072	92,165	139,076	—
Surface Rights Arbitration Board	166	—	—	—	—
Department of Telephones	307	125	198	463	493
Trade and Investment	5,726	11,317	7,774	9,375	7,472
Urban Affairs	220,021	224,553	111,224	123,715	94,218
Women's Secretariat	40	283	302	552	—
Total Expenditure	\$ 3,064,887	\$ 3,295,354	\$ 3,627,948	\$ 4,032,661	\$ 3,838,259
Excess of Revenue over Expenditure	\$ (331,394)	\$ (379,796)	\$ (578,877)	\$ (1,232,143)	\$ (542,455)

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Receipts	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ —	\$ —	\$ —	\$ 110,045	\$ 623,100
Crown Investments Corporation of Saskatchewan	—	—	51,500	188,000	280,000
Potash Corporation of Saskatchewan	25,000	5,000	18,400	5,000	425,000
Saskatchewan Municipal Financing Corporation	10,000	—	—	—	—
Saskatchewan Grain Car Corporation	—	4,984	—	—	—
Saskatchewan Economic Development Corporation	—	—	23,500	—	—
Saskatchewan Housing Corporation	8,000	—	—	—	—
Saskatchewan Mining Development Corporation	—	—	—	—	177,663
Saskatchewan Oil and Gas Corporation	—	—	25,000	—	—
Saskatchewan Power Corporation	65,649	11,604	9,637	174,826	29,752
Saskatchewan Telecommunications	41,860	—	7,793	13,283	772
Saskatchewan Water Corporation	—	—	—	—	9,839
Loan and Sales Agreements	—	621	837	618	834
NewGrade Energy Inc.	—	—	—	—	60,678
Other	54,603	59,342	147,311	234,347	60,489
Total Loan Receipts	\$ 205,112	\$ 81,551	\$ 283,978	\$ 726,119	\$ 1,668,127
Investments					
Saskatchewan Housing Corporation	\$ 11,173	\$ —	\$ —	\$ —	\$ —
Saskatchewan Oil and Gas Corporation	—	—	91,500	—	—
Investment in Agricultural Land and Related Assets:					
Recovery of Investment	83	2,830	4,647	2,289	6,220
Recovery of Principal on Land Sales	1,811	—	—	—	—
NewGrade Energy Inc.	—	—	—	—	735
Other	18	18	2,546	3,787	1,101
Total Investment Receipts	\$ 13,085	\$ 2,898	\$ 98,693	\$ 6,076	\$ 8,056
Deposits					
Crown Entities	\$ 150,785	\$ 129,778	\$ 127,556	\$ 106,316	\$ 649,089
Sinking Funds	23,600	21,178	20,193	19,682	18,837
Conditional Receipts	1,555	—	—	—	19,949
Redemption of Sinking Funds	—	—	—	11,316	18,362
Total Deposit Receipts	\$ 175,940	\$ 150,956	\$ 147,749	\$ 137,314	\$ 706,237
Total Receipts	\$ 394,137	\$ 235,405	\$ 530,420	\$ 869,509	\$ 2,382,420

(see accompanying notes)

**Government of the Province of Saskatchewan
Combined Funds
Statement of Loan, Investment and Deposit Activity**

For the Year Ended March 31

Disbursements	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Loans					
Agricultural Credit Corporation of Saskatchewan	\$ 13,517	\$ —	\$ 1,045,645	\$ 158,400	\$ 400,000
Crown Investments Corporation of Saskatchewan	20,000	158,000	114,728	266,158	620,000
Potash Corporation of Saskatchewan	80,000	—	160,517	65,255	—
Saskatchewan Municipal Financing Corporation	—	54,723	—	—	—
Saskatchewan Economic Development Corporation	—	—	—	26,000	7,000
Saskatchewan Housing Corporation	—	9,391	—	—	—
Saskatchewan Power Corporation	198,170	80,386	212,507	241,111	67,736
Saskatchewan Property Management Corporation	—	—	—	181,993	158,844
Saskatchewan Telecommunications	22,641	14,497	—	32,598	13,597
Saskatchewan Mining Development Commission	—	82,950	48,853	32,628	61,705
Demand Bank Loan	5,000	—	—	—	—
Other	67,420	161,314	328,884	147,666	89,066
Total Loan Disbursements	\$ 406,748	\$ 561,261	\$ 1,911,134	\$ 1,151,809	\$ 1,417,948
Investments					
NewGrade Energy Inc	\$ —	\$ 734	\$ —	\$ —	\$ —
Investment in Agricultural Land and Related Assets:					
Recovery of Investment	—	577	585	429	944
Crown Investments Corporation of Saskatchewan	—	—	—	—	77,583
Other	69	1,715	240	300	—
Total Investment Disbursements	\$ 69	\$ 3,026	\$ 825	\$ 729	\$ 78,527
Deposits					
Crown Entities	\$ 114,174	\$ 160,443	\$ 87,304	\$ 141,207	\$ 520,873
Sinking Funds	24,198	21,836	20,749	20,238	19,260
Conditional Receipts	—	380	928	648	—
Total Deposit Disbursements	\$ 138,372	\$ 182,659	\$ 108,981	\$ 162,093	\$ 540,133
Total Disbursements	\$ 545,189	\$ 746,946	\$ 2,020,940	\$ 1,314,631	\$ 2,036,608
Total Excess of Receipts Over Disbursements	\$ (151,052)	\$ (511,541)	\$ (1,490,520)	\$ (445,122)	\$ 345,812

(see accompanying notes)

Government of the Province of Saskatchewan
Combined Funds
Statement of Financing and Changes in Financial Position

For the Year Ended March 31

	1984	1985 *	1986	1987	Preliminary 1988
	(Thousands of Dollars)				(unaudited)
Cash Requirement					
Revenue and Expenditure					
Revenue.....	\$ 2,733,493	\$ 2,915,558	\$ 3,049,071	\$ 2,800,518	\$ 3,295,804
Expenditure.....	3,064,887	3,295,354	3,627,948	4,032,661	3,838,259
	\$ (331,394)	\$ (379,796)	\$ (578,877)	\$ (1,232,143)	\$ (542,455)
Loan, Investment and Deposit					
Receipts.....	\$ 394,137	\$ 235,405	\$ 530,420	\$ 869,509	\$ 2,382,420
Disbursements.....	545,189	746,946	2,020,940	1,314,631	2,036,608
	\$ (151,052)	\$ (511,541)	\$ (1,490,520)	\$ (445,122)	\$ 345,812
Net Cash Requirement.....	\$ (482,446)	\$ (891,337)	\$ (2,069,397)	\$ (1,677,265)	\$ (196,643)
Financing					
Proceeds from Debt.....	\$ 3,618,867	\$ 4,530,114	\$ 6,940,974	\$ 10,563,646	\$ 10,620,152
Repayment of Debt.....	2,925,601	3,687,570	4,987,613	8,996,779	10,060,335
	\$ 693,266	\$ 842,544	\$ 1,953,361	\$ 1,566,867	\$ 559,817
Net Increase (Decrease) in					
Cash, Short-term Loans					
and Investments.....	\$ 210,820	\$ (48,793)	\$ (116,036)	\$ (110,398)	\$ 363,174
Write-down of Short-term Investment.....	—	(1,221)	—	—	—
Cash, Short-term Loans and					
Investments, Beginning of Year.....	172,143	372,797	322,783	206,747	96,349
Cash, Short-term Loans and					
Investments, End of Year.....	\$ 382,963	\$ 322,783	\$ 206,747	\$ 96,349	\$ 459,523

(see accompanying notes)

* In the fiscal year ending March 31, 1985, \$10,166,000 of investments were reclassified from Cash, Short-term Loans and Investments, Beginning of Year, to Other Investments.

Government of the Province of Saskatchewan Combined Funds Notes to the Financial Statements

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

The Combined Funds represent a combination of the financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund. The Combined Funds financial statements have been designed primarily to provide an accounting of the financial resources appropriated by the Saskatchewan Legislature from the Funds. The Consolidated Fund is the general fund of the Province into which all public monies received are credited except where the Legislative Assembly has directed otherwise. The Saskatchewan Heritage Fund is a fund established by the Legislative Assembly to receive all nonrenewable resource revenues and certain other revenues as specified in *The Heritage Fund (Saskatchewan) Act*.

These financial statements are not intended to be summary financial statements that provide a full accounting of the financial affairs and resources of all the entities for which the Government of Saskatchewan is responsible. The financial transactions of other Crown entities such as provincial Crown corporations, agencies, boards and commissions are reported separately. Only those transactions pertaining to the receipt of money from or payment of money to the Combined Funds are reflected in these statements. Accumulated surpluses or deficits of these entities are not included.

A variety of special purpose and other funds are administered by the Minister of Finance. Included within these funds are superannuation funds over which the Minister provides general administrative support, trust monies held for third parties under various arrangements, and special purpose monies held for specified uses. The assets, liabilities, operations and residual balances of these are maintained and reported separately from those of the reporting entity.

1b. Principles of Combination

The financial transactions for the Consolidated Fund and the Saskatchewan Heritage Fund are added together, or combined. Transactions between the Funds, such as the fund dividend paid to the Consolidated Fund by the Saskatchewan Heritage Fund, are eliminated.

1c. Basis of Accounting

The financial statements are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payments are made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal

year are reported as expenditures of the preceding fiscal year.

1d. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect only recorded assets and liabilities. This segregation originates from the net debt concept. The net debt of the Province is the difference between recorded liabilities minus assets and represents the difference between accumulated revenues and accumulated expenditures. Since revenues and expenditures only affect the net debt, financing activities and transactions which arise from the financing activities (lending and investing) only affect recorded assets and liabilities. Accordingly, transactions are recorded within three categories: Revenue and Expenditure, Lending and Investing, and Financing Activities.

• Revenue and Expenditure

Revenue and expenditure relate to normal operating activities.

• Revenue

Revenue includes revenues raised through taxation, premiums, fees, licences and permits, receipts from the Federal Government under fiscal arrangements and shared-cost programs, income from investments and dividends or transfers from other funds and accounting gains on the sale of certain agricultural lands.

• Expenditure

Expenditure includes payments for goods and services, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, interest on public debt and lease payments to the Saskatchewan Property Management Corporation for accommodations, furnishings and equipment. Payments for the acquisition of those fixed assets, which are not leased from the Saskatchewan Property Management Corporation, are also charged to expenditure.

• Lending and Investing

These transactions result from lending and investing functions which include the Province's lending and investing activity in various Crown entities, other organizations and individuals, in Agricultural Land and Related Assets acquired for resale and, also, the administration of funds held for certain Crown entities.

• Financing Activities

Financing activities are the borrowing and repayment transactions of the Province and include the borrowing on behalf of various Crown entities.

• Assets and Liabilities

The majority of the assets and liabilities recorded in the statements are a result of the intermediary activity

of borrowing on behalf of various Crown entities. In general terms, assets will consist of cash and short-term investments and loans to or investments in Crown entities and other organizations and individuals.

The Saskatchewan Property Management Corporation, established on March 25, 1986, is responsible for certain aspects of capital asset management including the acquisition, maintenance and disposal of accommodations, furnishings and equipment for the Government. These services are provided to government departments on a lease basis. Capital assets are treated as an expenditure in the year of purchase.

Liabilities consist of promissory notes, Treasury bills and debentures to be repaid to outside parties and amounts that are due to provincially created Crown entities.

● Revolving Fund Transactions

Various revolving funds have been established to provide services to the Province or the public. Each of these has statutory authority to make payments out of the Consolidated Fund for the provision of specified services.

Except for transactions relating to loans and advances to third parties, any net cash expenditure on behalf of a revolving fund is classified as an expenditure. Any net cash revenue is classified as a reduction in expenditures. Loans to third parties are classified as lending and investment transactions, and any amounts outstanding are shown as an asset.

Specific Policies

1e. Cash and Short-Term Investments

● Cash

Cash recorded is the balance on hand in the Combined Funds at March 31, adjusted in accordance with the modified cash basis of accounting as described in Note 1c.

● Short-Term Investments

Short-term investments represent those investments purchased under authority of *The Department of Finance Act, 1983* and *The Heritage Fund (Saskatchewan) Act*. These investments consist mainly of chartered bank notes, Treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1f. Short-Term Loans to Crown Entities

These represent interest bearing loans made for a period of less than one year. Short-term loans are valued at cost.

Interest received on short-term loans is applied to offset the interest paid on the Province's share of public debt.

1g. Loans to Crown Entities

These loans are made for a period of greater than one

year to Crown corporations, boards and commissions and generally have fixed terms of repayment. With the exception of the Saskatchewan Grain Car Corporation, the loans are all interest bearing.

Loans are valued at cost. Loans in foreign currency are converted to the Canadian dollar equivalent at the exchange rate in effect at March 31. In cases where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan will be written down. All write-downs are charged directly to equity.

Where the Province obtains the funds for making the loans through issuing of debentures, the Crown entities are required to provide the funds to repay debt. Where sinking fund requirements are attached to the underlying debt issue, Crown entities must reimburse the Province for payments made to the sinking fund. Accordingly, the Crown entities equity (i.e. contributions and earnings) in the sinking funds reduces the recorded value of loans.

Interest received from Crown entities is offset against the Province's interest expense in debt issues.

1h. Other Loans

Other loans are subject to a variety of interest rates and terms of repayment. The loans to the Cow-Calf-to-Finish Plan, Feeder Finish Plan and the Saskatchewan Hog Assured Returns Program are interest-bearing except for an amount of \$13,127,000 relating to the 50 Purchased Feeders Option under the Cow-Calf-to-Finish Plan.

Other loans are carried at cost and will be revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to equity.

Interest received from these loans is recorded as revenue.

1i. Investments in Crown Entities

Investments in Crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the Crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. All write-downs reducing the carrying value of the investment are charged directly to equity.

Dividends from the investments are recorded as revenue.

1j. Investment in Agricultural Land and Related Assets

The Heritage Fund (Saskatchewan) Amendment Act, 1983 transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the Agricultural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land

and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost, and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged to equity.

1k **Other Investments**

The investments are valued at cost and will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged to equity.

11 **Public Debt**

Public debt represents obligations of the Province to outside parties arising from its borrowing activities to finance the Province's operations or to finance loans to Crown entities. Public debt consists of promissory notes, Treasury bills and debentures.

• **Borrowing on Behalf of Crown Entities**

Where the Province performs the intermediary function of borrowing on behalf of Crown entities, the funds required to repay the principal amount of the debt attributable to these entities are reimbursed by them.

Because this debt is reimbursable, interest received from the Crown entities is offset against the interest paid on the debt.

All debentures due in a foreign currency will be repaid when due by these entities in requisite amounts. For reporting purposes, all debentures due in foreign currency have been converted to the Canadian dollar equivalent at the exchange rate in effect at March 31.

• **Investment in Agricultural Land**

Debt acquired for the purpose of financing the Investment in Agricultural Land now held by the Saskatchewan Heritage Fund but formerly held by the Saskatchewan Land Bank Commission is considered to be fully reimbursable from the proceeds from the sale of the Agricultural Lands to be received by the Saskatchewan Heritage Fund. The interest paid on the public debt which is considered to be fully reimbursable from the lease fee revenue on the lands, received in the Farm Purchase Program Fund, is offset against the interest paid on the debt. To the extent lease fees are insufficient for this purpose, an appropriation of funds from the Saskatchewan Heritage Fund is made to cover the deficiency.

The balance of the public debt is borrowed for the purpose of the Province. The interest paid on this portion is shown as Interest on Public Debt under the Department of Finance in the Statement of Revenue and Expenditure.

• **Promissory Notes**

Promissory notes are issued to cover temporary insufficiencies of the Consolidated Fund and for funding short-term loans to Crown entities.

Promissory notes are carried at face value.

• **Treasury Bills**

Treasury bills are issued to cover temporary insufficiencies of the Consolidated Fund.

Treasury bills are carried at par.

• **Debentures**

Debentures are issued to finance activities of the Province and for funding long-term loans to Crown entities.

Debentures are carried at par. In the year in which debentures are issued, discounts are charged to expenditure and any premiums are recorded as revenue. Where borrowing is made to finance loans to Crown entities, all expenses including discounts are charged directly to the Crown entities and premiums are paid to the Crown entities.

Many public debentures issued require payments into a sinking fund in accordance with sinking fund policy.

Repayments of principal, where sinking funds are not required, directly reduce the liability.

• **Sinking Funds**

The Province has a general sinking fund into which payments are made on most public debenture issues. Annual payments to the general sinking fund under this policy have been based on 1 per cent or 1 1/2 per cent of the principal amount outstanding of the applicable debenture issued. The Province requires that it be reimbursed by Crown entities for all sinking fund payments made on debt incurred on behalf of Crown entities. Notwithstanding this requirement, the Province assumes direct responsibility for all payments to sinking funds.

Sinking fund monies are invested in Province of Saskatchewan debentures, other provincial government or provincial government guaranteed securities, federal government or federal government guaranteed securities, or high grade Canadian municipal securities until such time as the monies are required for retirement of debt. Sinking fund monies are subject to noncash calculations regarding earnings in accordance with the following accounting policies:

• Interest on long-term investments is accrued. Short-term investment earnings are recognized as received.

• Premium/discount on long-term investments is amortized by type of security to maintain a constant yield over the life of the investment.

• Gains/losses on the sale of long-term investments are recognized in the period the sale was transacted.

Earnings of the sinking funds are retained within the sinking funds and, accordingly, are not recorded as revenue but are credited directly to equity.

1m. Amounts Payable to Crown Entities

These represent amounts held on deposit in the Consolidated Fund on behalf of certain Crown entities at no interest.

1n. Conditional Receipts

The Province receives funds for which the ultimate disposition is not immediately known or which is subject to some future action beyond the control of the payor. These funds are deposited to the credit of a liability account entitled "Conditional Receipts". The balance reflected is that for such funds held as at March 31.

1o. Interest on Public Debt

Interest on public debt includes interest paid by the Province on promissory notes, Treasury bills and debentures, but does not include interest on public debt borrowed by the Province on behalf of Crown entities (Note 1f, 1g, 1i).

2. Additional Information

2a. Contingencies

• **Guaranteed Debt**

The Province has explicitly guaranteed the repayment of the principal and interest of certain bonds, debentures and loans of various organizations including Crown entities. The total principal portion of all guaranteed debt at March 31, 1988 was \$814,345,000 (\$551,226,000 at March 31, 1987).

The guaranteed debt is not a recorded liability until conditions exist or events occur which would require the Province to assume the repayment of the debt. At March 31, 1988 there were no organizations in receivership whose debt had been guaranteed.

• **Litigation Matters at March 31, 1988**

The Province has a contingent liability in respect of a claim filed by the Cumberland House Local Community, the Village of Cumberland House and Cumberland Fisherman's Co-op Ltd., against the Saskatchewan Power Corporation and the Government of Saskatchewan. The plaintiffs are claiming \$200 million in damages resulting from the losses they allege they will suffer as a result of the construction and operation of the Squaw Rapids Dam. The outcome of this action is uncertain and the likely loss to the Province, if any, cannot be determined.

The Province has also been named in a claim filed by Chief Myles Venne on behalf of the members of the Lac La Ronge, James Roberts and Amos Charles Indian Bands against the Government of Canada and the Government of Saskatchewan. The claim is for approximately 250,000 acres of land in Saskatchewan based on entitlement under Treaty No. 6. The outcome of this action is uncertain and the likely loss to the Province, if any, cannot be determined.

The Province is also named as defendant in various other legal actions relating to amounts in excess of \$1,000,000, totalling approximately \$42.0 million. The outcome of these actions is uncertain and the likely loss to the Province, if any, cannot be determined.

• **Crop Reinsurance Fund of Saskatchewan**

The Province of Saskatchewan is liable for funding any deficiency arising in the Crop Reinsurance Fund of Saskatchewan. As at March 31, 1988, the Crop Reinsurance Fund of Saskatchewan had a \$35.5 million deficit as a result of crop insurance claims in excess of the accumulated surplus of the Saskatchewan Crop Insurance Corporation - Insurance Operation and the Crop Reinsurance Fund of Saskatchewan. The likelihood of payment to the Saskatchewan Crop Reinsurance Fund is dependent upon the future level of claims in relation to premiums and, therefore, is not determinable at this time.

2b. Equalization Payment

Subsequent to March 31, 1982 the Federal Government amended its calculation of equalization payments. The amendment resulted in the Province being overpaid by \$117,400,000 in total. By agreement with the Federal Government, this amount was repaid through reduction of other federal transfer payments over a five year period ending March 31, 1987.

2c. Superannuation

For certain pension plans the Province pays, out of the Consolidated Fund, part of the benefits and/or is responsible for any deficiency arising when the benefits exceed the assets available in the funds.

The following is a brief description of these plans:

• **Public Service Superannuation Plan**

This is an unfunded plan. All employee contributions are recorded as revenue of the Consolidated Fund, and all payments required are recorded as expenditures of the Consolidated Fund.

• **Public Employees (Government Contributory) Superannuation Plan**

This is a funded plan, with employee contributions being matched by the Province. A separate fund is maintained for receiving all contributions, with allowances and refunds being made from the fund based upon the contribution made and investment earnings allocated. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the fund, the Province has no residual obligation.

• **Public Employees (Government Contributory) Annuity Fund**

In 1985-86 *The Superannuation (Supplementary Provisions) Act* was amended creating the Public Employees (Government Contributory) Annuity Fund. The related assets and accumulated balances of members who have chosen this annuity option were transferred to the Annuity Fund from the Public Employees (Government Contributory)

Superannuation Plan and all annuities are paid out of the Fund. Upon retirement, an employee is entitled to receive a guaranteed life annuity provided by the amount standing to his credit in the Fund at the time

- Teachers' Superannuation Fund

Teacher contributions are paid into a separate fund, with allowances and benefits being made from the fund. Teacher contributions on and after July 1, 1980 are matched by the Province, with these monies also being paid into the fund. The Province's contribution is recorded as an expenditure of the Consolidated Fund. The Province is responsible for any deficiency arising when retirement benefits and allowances exceed the assets available in the fund.

- Teachers' Annuity Fund

This is a funded plan for teachers who had never taught in the provincial school system prior to July 1, 1980 and enter the school system after that date. Teacher contributions are matched by the Province. Contributions are paid into a separate fund, with allowances and refunds being made from the Fund based upon the contribution made and investment earnings allocated. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the Fund, the Province has no residual obligation.

- Teachers' Supplementary Allowances Fund

This fund was created in conjunction with the Teachers' Annuity Fund. A designated portion of contributions made by teachers into the Annuity Fund is paid into the Teachers' Supplementary Allowances Fund for the purpose of increasing allowances for cost of living and to pay survivor benefits to dependents of teachers. Teacher contributions are matched by the Province. The Province's contribution is recorded as an expenditure of the Consolidated Fund. Since benefits are based on accumulated contributions to the Fund, the Province has no residual obligation.

- Members of the Legislative Assembly Superannuation Fund

This is a funded plan, with employee contributions being matched by the Province. The Province also contributes an annual payment and any other amounts that may be appropriated. Contributions are paid into a separate fund, with allowances and refunds being made from the fund. The Province's contribution is recorded as an expenditure of the Consolidated Fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the Fund.

- Judges of the Provincial Court Superannuation Fund

Employee contributions are paid into a separate fund with allowances, refunds and transfers paid out of the fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the fund.

Annuities and allowances made under *The Magistrates Court Act* (repealed) are also paid out of the Judges of the Provincial Court Superannuation Fund. Employees do not make contributions. The Consolidated Fund reimburses the Provincial Court Superannuation Fund for all payments to superannuates.

- Anti-Tuberculosis League Employees Superannuation Fund

Employee contributions are matched by The Saskatchewan Anti-Tuberculosis League. Contributions are paid into a separate fund with allowances, refunds and transfers paid out of the fund. The Province is responsible for any deficiency arising when the benefits exceed the assets available in the fund.

- Saskatchewan Transportation Company Employees Superannuation Fund

Employee contributions are matched by the Saskatchewan Transportation Company. Contributions are paid into a separate fund with allowances, refunds and transfers paid out of the fund. The Province is responsible for any deficiency arising when benefits exceed the assets available in the fund.

- Saskatchewan Pension Plan

In 1986-87, the Province created the Saskatchewan Pension Plan, which is voluntary and open to all residents of the Province of Saskatchewan who are between the ages of 18 and 65. The Province matches contributions of the members on the basis of an income related formula to a maximum of \$300 annually.

The Province's contributions are recorded as an expenditure of the Consolidated Fund. Benefits are based on accumulated contributions to the fund. Accordingly, the Province has no residual obligation except for any amount required to supplement the fund for the guaranteed minimum pension to members who retire during the first ten years of the plan. The minimum pension is limited to \$15 per month for each year of contribution to the plan.

The following is a summary of the unfunded liability in respect of these pension plans as indicated in the most recent actuarial reports.

(Thousands of Dollars)

	Date of Report	Liability As At	Unfunded Liability
Public Service Superannuation Plan	Nov./86	Mar./86	\$ 646,615
Public Employees (Government Contributory) Superannuation Plan			N/A
Teachers' Superannuation Fund	Nov./86	June/86	1,279,000
Teachers' Annuity Fund			N/A
Teachers' Supplementary Allowances Fund			N/A
Members of the Legislative Assembly Superannuation Fund	Jan./87	Mar./86	15,696
Judges of the Provincial Court Superannuation Fund	Jan./83	Jan./83	6,330
Anti-Tuberculosis League Employees Superannuation Fund	Jan./85	Mar./84	1,238
Saskatchewan Transportation Company Employees Superannuation Fund	Jan./85	Mar./84	3,816
Saskatchewan Pension Plan			N/A
			\$1,952,695

2d. Legal Defeasance

During 1986-87, the Province advanced to Saskatchewan Power Corporation \$89.3 million, due December 30, 2004, bearing an interest rate of 9 5/8 per cent per annum. Saskatchewan Power Corporation completed a legal defeasance of this Advance by placing a promissory note receivable with identical terms to the Advance into an irrevocable trust to be used solely for satisfying the principal and interest payments on the Advance. The promissory note is receivable from an unrelated third party and is guaranteed by the Province of Saskatchewan under a previous agreement. Although the Province has accepted the promissory note as full and final satisfaction of the Advance, the promissory note remains in the irrevocable trust. Accordingly, these financial statements will continue to reflect a receivable from the Saskatchewan Power Corporation Trust until such time as all claims against the Trust are extinguished.

2e. Comparative Information

Certain of the 1984 to 1987 figures have been reclassified to conform with the current year presentation. However, with regard to expenditures of prior years, the figures are reported on the same basis as the estimates of prior years.

**Government of the Province of Saskatchewan
Statement of Total Debt of the Province**

At March 31					
	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars) *				(unaudited)
Promissory Notes (for the purpose of)					
Crown Corporations**	\$ 233,356	\$ 329,378	\$ 1,463,470	\$ 1,368,117	\$ 1,046,506
Government of Saskatchewan	63,644	282,622	317,130	394,498	152,874
Total Promissory Notes	\$ 297,000	\$ 612,000	\$ 1,780,600	\$ 1,762,615	\$ 1,199,380
Treasury Bills (for the purpose of)					
Crown Corporations**	\$ 6,500	\$ 4,540	\$ 2,400	\$ —	\$ —
Government of Saskatchewan	445,000	455,000	651,000	650,000	650,000
Total Treasury Bills	\$ 451,500	\$ 459,540	\$ 653,400	\$ 650,000	\$ 650,000
Debentures (for the purpose of)					
Crown Corporations**	\$ 4,358,542	\$ 4,717,067	\$ 5,056,393	\$ 5,503,513	\$ 5,811,002
Government of Saskatchewan	155,818	443,847	714,362	1,696,966	2,368,383
Other** - Federal/Municipal	9,928	9,107	8,184	7,399	6,783
- University of Saskatchewan	2,263	2,256	2,249	2,242	2,234
- Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
Total Debentures	\$ 4,710,987	\$ 5,356,713	\$ 5,965,624	\$ 7,394,556	\$ 8,372,838
Gross Debt	\$ 5,459,487	\$ 6,428,253	\$ 8,399,624	\$ 9,807,171	\$ 10,222,218
Less: Equity in Sinking Funds (for the purpose of)					
Crown Corporations	\$ 285,404	\$ 324,832	\$ 375,235	\$ 402,835	\$ 445,479
Government of Saskatchewan	25,272	28,373	33,477	25,275	9,073
Total Equity in Sinking Funds	\$ 310,676	\$ 353,205	\$ 408,712	\$ 428,110	\$ 454,552
	\$ 5,148,811	\$ 6,075,048	\$ 7,990,912	\$ 9,379,061	\$ 9,767,666
Guaranteed Debt	373,896	465,354	493,175	551,226	814,345
Total Debt	\$ 5,522,707	\$ 6,540,402	\$ 8,484,087	\$ 9,930,287	\$ 10,582,011

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

** These enterprises are responsible for the repayment of principal and interest.

**Government of the Province of Saskatchewan
Statement of Gross Debt by Allocation**

At March 31

	1984	1985	1986	1987	Preliminary 1988
	(Thousands of Dollars) *				(unaudited)
Reimbursable Debt					
Crown Corporations					
Agricultural Credit Corporation of Saskatchewan	\$ 169,843	\$ 169,843	\$ 1,215,488	\$ 1,263,843	\$ 1,040,743
Agricultural Development Corporation	—	7,878	—	—	2,000
Crown Investments Corporation of Saskatchewan	564,215	623,763	706,939	745,848	1,524,518
Farm Purchase Program Fund	820	—	—	—	—
Municipal Financing Corporation of Saskatchewan	35,800	54,723	57,724	76,724	82,924
Potash Corporation of Saskatchewan **	304,963	371,938	484,782	573,734	—
Saskatchewan Development Fund Corporation	400	—	—	—	—
Saskatchewan Economic Development Corporation	86,531	48,147	68,947	57,671	106,311
Saskatchewan Government Printing Company	—	—	2,176	2,100	2,100
Saskatchewan Housing Corporation	307,913	317,304	317,304	317,304	317,304
Saskatchewan Mining Development Corporation	389,073	501,382	555,956	558,317	370,060
Saskatchewan Oil and Gas Corporation	25,000	25,000	—	—	—
Saskatchewan Power Corporation	1,968,509	2,151,206	2,338,200	2,316,210	2,296,159
Saskatchewan Property Management Corporation	—	—	—	181,993	340,836
Saskatchewan Telecommunications	730,455	764,925	759,871	760,510	758,716
Saskatchewan Water Corporation	14,876	14,876	14,876	17,376	15,837
Total Crown Corporations	\$ 4,598,398	\$ 5,050,985	\$ 6,522,263	\$ 6,871,630	\$ 6,857,508
Other					
Federal/Municipal	\$ 9,928	\$ 9,107	\$ 8,184	\$ 7,399	\$ 6,783
Investment in Agricultural Land	184,436	184,436	184,436	184,436	184,436
University of Saskatchewan	2,263	2,256	2,249	2,242	2,234
Total Other	\$ 196,627	\$ 195,799	\$ 194,869	\$ 194,077	\$ 193,453
Total Reimbursable Debt	\$ 4,795,025	\$ 5,246,784	\$ 6,717,132	\$ 7,065,707	\$ 7,050,961
Non-Reimbursable Debt					
Government of Saskatchewan	\$ 664,462	\$ 1,181,469	\$ 1,682,492	\$ 2,741,464	\$ 3,171,257
Gross Debt	\$ 5,459,487	\$ 6,428,253	\$ 8,399,624	\$ 9,807,171	\$10,222,218

* Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

** Subsequent to March 31, 1987 the Potash Corporation of Saskatchewan repaid its loans to the Government of Saskatchewan using funds provided by the Crown Investments Corporation. The Government of Saskatchewan provided loans to the Crown Investments Corporation for this purpose.

Crown Investments Corporation of Saskatchewan

Introduction

Saskatchewan's Crown corporations are involved in a broad range of activities including the provision of electricity and natural gas, telecommunications, resource development and financial and other services. Certain Crown corporations are commercial enterprises intended to be self-sustaining while others receive an annual appropriation to cover costs of administration and other expenses.

Traditionally the capital requirements of the Province's enterprises have been financed, with few exceptions, through direct obligations of, or advances by, the Province. Provincial legislation governing certain Crown corporations provides for the issuing of securities by these enterprises, with or without a Provincial guarantee. Pursuant to *The Department of Finance Act, 1983*, all borrowings by Provincial Crown corporations must be approved by the Minister of Finance for Saskatchewan.

Loans and advances to, and investments in, Crown corporations made by the Province are carried at cost without allowance for their individual accumulated surpluses or deficits. In cases where liabilities of a Crown corporation significantly exceed the estimated realizable value of its assets, the loan or investment will be written down.

For administrative purposes, Saskatchewan's Crown corporations are categorized into two separate groups. The commercial enterprises are under the purview of Crown Investments Corporation of Saskatchewan (see narrative below). All other Crown corporations report directly to Treasury Board, a committee of Cabinet.

Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan (CIC) is a Provincial Crown corporation, without share capital, operating under authority of *The Crown Corporations Act, 1978*. CIC is responsible for administering Saskatchewan government policy as it relates to those Crown corporations designated by Order-in-Council as being within the CIC group. At December 31, 1987, there were thirteen designated. The corporations provide a wide variety of services and sell various commodities in both domestic and international markets.

As a group, the corporations reported net income of \$104 million for 1987 compared with a loss of \$137 million (restated) for 1986. Significant profit improvements in the major utility and resource corporations were the main contributors to the improved performance in 1987.

During 1987, capital expenditures by the corporations totalled \$443 million, compared with \$565 million in 1986. Since 1982, capital spending of Crown corporations has amounted to \$3,784 million, an average of \$631 million per year. In addition, taxes and royalty payments made to the Province by the corporations were \$81 million in 1987 compared with \$94 million in 1986.

During 1987, total revenues were \$2,114 million, approximately equal to the \$2,115 million (restated) in the previous year. Total assets under the administration of CIC grew from \$7,300 million in 1986 to \$7,389 million in 1987.

Four corporations - Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Mining Development Corporation, and Potash Corporation of Saskatchewan - constituted approximately 84 per cent of the total assets of the CIC consolidated group as at December 31, 1987. A brief description of each of these corporations and comments on their 1987 operations follow.

Saskatchewan Power Corporation

Saskatchewan Power Corporation (SaskPower) was established by Order-in-Council in 1949 and formalized as a Crown corporation by an Act of the Legislative Assembly passed in 1950. SaskPower provides electricity and natural gas to the residents of Saskatchewan. It generates and delivers electricity to more than 405,000 customers and supplies natural gas to 279,000 customers.

SaskPower achieved a significant financial improvement in 1987 as a result of a turnaround in the electrical utility. Cost reductions accompanied by electrical rate increases were mainly responsible for a consolidated net income of \$36 million compared to a loss of \$10 million recorded in 1986.

Consolidated revenue of \$859 million was about the same as 1986. Higher electrical revenues were offset by lower gas revenues due to the unusually warm weather.

Both operating and capital expenditures were reduced from 1986. Operating, maintenance and administration expenses of \$218 million were 4.4 per cent lower than 1986 mainly due to the downsizing program and continued control of discretionary spending. Reductions of capital expenditures from \$273 million to \$185 million reflect the Corporation's efforts to defer capital spending and the completion of the Nipawin Hydroelectric Station in 1986.

Lower debt redemption and significantly higher earnings in 1987 enabled SaskPower to pay for all its debt servicing requirements with internal funds. As a result, external financing was held to \$204 million compared to \$317 million in 1986. Reduced borrowings, lower interest rates, and a stronger Canadian dollar held the finance charges to about the same level as 1986.

SaskPower continued to support local businesses through its Saskatchewan Supplier Development Program. In 1987, the Corporation purchased \$169 million worth of goods and services (not including coal and natural gas) from Saskatchewan producers. This equals 84 per cent of its total purchases.

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position**

At December 31

	1983	1984	1985	1986	1987
	(Thousands of Dollars)				
Assets	(Note 1)			(Note 2)	
Current	\$ 732,106	\$ 769,700	\$ 751,208	\$ 759,229	\$ 833,190
Investments	472,857	470,254	492,078	704,763	929,407
Property, Plant and Equipment	4,971,790	5,172,967	5,508,219	5,559,805	5,437,099
Deferred Charges	215,574	274,266	311,197	275,880	189,305
Total Assets	\$ 6,392,327	\$ 6,687,187	\$ 7,062,702	\$ 7,299,677	\$ 7,389,001
Liabilities and Province's Equity					
Current	\$ 1,091,706	\$ 1,117,326	\$ 1,403,442	\$ 1,342,386	\$ 1,833,628
Deferred Revenue and Minority Interest	130,014	109,363	76,280	242,972	164,149
Long-term Debt	3,764,343	3,991,085	4,285,610	4,537,083	4,100,477
Province's Equity	1,406,264	1,469,413	1,297,370	1,177,236	1,290,747
Total Liabilities and Province's Equity	\$ 6,392,327	\$ 6,687,187	\$ 7,062,702	\$ 7,299,677	\$ 7,389,001

**Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations**

For the Year Ended December 31

	1983	1984	1985	1986	1987
	(Thousands of Dollars)				
Revenue	(Note 1)			(Note 2)	
Sales of Products and Services	\$ 1,768,199	\$ 1,994,592	\$ 1,996,406	\$ 1,979,941	\$ 1,907,840
Investment Income	75,783	56,223	69,836	62,017	130,987
Other	50,589	61,105	72,069	73,597	75,645
Total Revenue	\$ 1,894,571	\$ 2,111,920	\$ 2,138,311	\$ 2,115,555	\$ 2,114,472
Expenses					
Operating Costs Other Than Those Listed Below	\$ 1,303,500	\$ 1,229,264	\$ 1,316,911	\$ 1,326,269	\$ 1,121,284
Interest	320,421	426,872	484,468	527,880	520,652
Depreciation and Depletion	216,453	271,394	282,724	305,984	287,575
Saskatchewan Taxes and Resource Payments	110,084	125,082	114,359	94,098	80,927
Total Expenses	\$ 1,950,458	\$ 2,052,612	\$ 2,198,462	\$ 2,254,231	\$ 2,010,438
Earnings before Extraordinary Items and Minority Interest	\$ (55,887)	\$ 59,308	\$ (60,151)	\$ (138,676)	\$ 104,034
Extraordinary Items and Minority Interest	—	7,684	(19,094)	1,462	—
Net Income (Loss)	\$ (55,887)	\$ 66,992	\$ (79,245)	\$ (137,214)	\$ 104,034

Note 1: During 1984, the Municipal Financing Corporation of Saskatchewan and The Saskatchewan Government Printing Company were transferred out of the Crown Investments Corporation of Saskatchewan consolidated group of corporations. The 1983 results have been restated to reflect this transfer as follows: consolidated assets reduced by \$84.9 million, consolidated liabilities reduced by \$86.9 million, consolidated reinvested earnings increased by \$2 million, and consolidated loss increased by \$1.1 million.

Note 2: The 1986 financial statements have been changed to reflect an addition to the previously recorded minority interest. The result of this adjustment to the 1986 accounts is an increase of \$9 million in minority interest in subsidiary and a decrease of \$9 million in reinvested earnings.

Certain of the other 1986 comparative figures have been reclassified to conform with the current period presentation.

The electrical utility achieved a dramatic turnaround in 1987 and earned its first profit in eight years. The three-year recovery program implemented in 1986 and continuing cost control resulted in a net income of \$20 million, compared to a loss of \$19 million in 1986.

Construction began on the 355 kilometre Athabasca Line from near Uranium City to Rabbit Lake, SaskPower's longest electrical transmission line. In the third year of the Rural Underground Distribution program, underground electrical service was installed for more than 1,200 rural customers.

The natural gas utility net income also improved from \$9 million to \$16 million in 1987. Natural gas deregulation brought changes and benefits both to SaskPower and its customers. Cost savings from the resulting lower commodity prices were passed on to customers in the form of rate reductions averaging 5.4 per cent.

Saskatchewan Telecommunications

Saskatchewan Telecommunications (SaskTel) constructs, maintains and operates a provincial telecommunications system in concert with similar systems throughout Canada. SaskTel's objective is to serve the communications needs of Saskatchewan residents economically and effectively.

SaskTel's strong financial performance in 1987 resulted in record net income of \$50.5 million. This was due to cost reduction measures combined with the continued streamlining of operations and increased revenues.

Careful management of the Corporation's resources has allowed SaskTel to improve the quality of customer services and to generate new business growth while keeping expenditures down.

Two of the largest projects ever undertaken by SaskTel were well underway in 1987. These were the \$264 million Rural Individual Line Service program and the \$128 million Digital Switching Modernization program. A further program to upgrade switching equipment located in urban centres was announced late in 1987. When completed in the mid 1990's, involving an investment of \$133 million, the Corporation will be well on its way to having an all digital telecommunications system.

SaskTel rates were increased an average of five per cent, effective December 15, 1987. Despite this increase, the Corporation's rates for basic service are the second lowest in Canada.

The emergence of a new well-defined strategy for business, the benefit of a skilled workforce, and the use of modern technologies to increase productivity, have made it possible for SaskTel to respond more quickly and efficiently to traditional as well as new customer demands.

At the end of 1987, SaskTel had 747,198 telephones in service, an increase of 8,489 over the previous year. Customers placed 117 million long distance calls during the year, compared to 111 million in 1986.

Saskatchewan Mining Development Corporation

Saskatchewan Mining Development Corporation (SMDC) is involved in the exploration for and development of uranium and other hard rock minerals, excluding potash and sodium sulphate. Most of SMDC's activities are conducted on a joint venture basis with private sector partners.

SMDC reported net income of \$60.3 million in 1987 (compared to \$30.4 million in 1986) on uranium sales of \$186.4 million to Canadian, American, Western European and Asian utilities. The first year of gold sales totalled \$8.2 million. Cash provided by operations reached \$94.4 million during 1987, which almost equalled last year's \$95.7 million. A dividend of \$30 million was declared, representing the sixth consecutive year that SMDC has paid dividends to CIC.

After capital expenditures and dividend payments, net debt obligations of the Corporation were reduced by \$67 million in the year. Debt reduction for the last three years has exceeded \$148 million.

The Key Lake mine located in northern Saskatchewan, in which SMDC holds a 50 per cent interest, produced over 13.5 million pounds of uranium oxide (U_3O_8), or about 112.5 per cent of its annual rated capacity of 12 million pounds. The Cluff Lake mine also located in northern Saskatchewan completed its seventh year of successful commercial operation producing 2.15 million pounds of U_3O_8 in 1987. SMDC holds a 20 per cent interest in the Cluff Lake mine.

The Cigar Lake Mining Corporation received environmental approval to proceed with a test mine at the Cigar Lake uranium deposit. The test mine is scheduled for development over the next 2½ years in order to assess mining methods. Upon completion of the test mining, a production decision will be made subject to market conditions. During 1987, SMDC signed a major agreement with Korea Electric Power Corporation covering the sale of a 2 per cent non-voting equity interest in the Cigar Lake uranium project and a long-term uranium sales contract for SMDC uranium. SMDC now owns 48.75 per cent of the Cigar Lake project but retains a 50.75 per cent voting interest. Cigar Lake is the world's richest uranium deposit with estimated ore reserves of 385 million pounds of U_3O_8 with grades averaging about 12 per cent.

The Star Lake gold mine and mill in northern Saskatchewan, in which SMDC has a 50 per cent interest, began commercial production in 1987 and by the end of the year had poured over 33,000 ounces of gold bullion. Ongoing exploration in the Star Lake area resulted in a new gold discovery on the Fork Lakes property, about 5 miles southeast of the Star Lake mill. The 1988 drilling program is expected to delineate reserves and grade of this potential orebody.

Work which continued during 1987 in the Amisk Lake area, southwest of Flin Flon, has justified an underground exploration project at the Laurel Lake gold deposit. Reserves are estimated at 282,000 tons with an average grade of 0.44 ounces of gold and 2.2 ounces of silver per ton.

In 1987, SMDC continued with a more diversified exploration program that emphasized grassroots gold exploration, and, to a lesser extent, participation in other precious and base metals programs. In contrast, the uranium exploration program centres on well-developed properties where work is concentrated on delineating potential orebodies or establishing reserve levels.

Subsequent to December 31, 1987, the Government of Canada and the Province of Saskatchewan signed a Letter of Intent to merge the assets of their respective uranium mining companies, Eldorado Nuclear Limited and SMDC. (See commentary on Public Participation.)

Potash Corporation of Saskatchewan

Potash Corporation of Saskatchewan (PCS) is the western world's largest producer of potash. Potash is a major component of agricultural fertilizer.

PCS, through its wholly owned subsidiary, Potash Corporation of Saskatchewan Mining Limited (PCS Mining), has five operating divisions at five separate mine sites. Three mines are wholly owned, one mine is 60 per cent owned, and one holding is in the form of ownership of potash ore reserves which are processed under a long-term operating agreement with International Minerals and Chemical Corporation.

Potash Corporation of Saskatchewan Sales Limited (PCS Sales), a wholly owned subsidiary of PCS, directly markets PCS's production to the United States and within Canada. The remaining potash is sold through Canpotex Limited, a marketing group representing all Saskatchewan potash producers that sell potash outside North America.

PCS reported a loss of \$20.7 million in 1987 compared to a loss of \$103.4 million in 1986. Sales revenues in 1987 were \$256 million on sales of 4.7 million tonnes KCl (24 per cent higher than in 1986). Sales in North America increased by 8 per cent despite acreage reductions in corn and soybeans, the crops for which potash is most essential. PCS Sales made record sales through Canpotex Limited due to the tonnage purchased by China. In addition, 0.4 million tonnes were sold to Potash Corporation of America as a result of a temporary closure at its mine. Average sales prices increased about 9 per cent over those prevailing in 1986. In addition to the sales increase, PCS underwent a financial restructuring in 1987 which enabled it to reduce its debt and related interest costs which also contributed to the turnaround in PCS's operations.

In February 1987, two New Mexican potash producers filed an anti-dumping petition against potash imported from Canada. On August 28, 1987 the United States Department of Commerce announced preliminary dumping margins ranging from 9 per cent to 85 per cent on Canadian producers, with PCS being levied with a 51.9 per cent duty. On January 8, 1988, a Suspension Agreement was signed by the United States Department of Commerce and the Canadian producers, suspending the petition for a period of five years, at which time it will terminate.

The commissioning of the Lanigan Phase II mine expansion took place during the year, with full operational status being achieved in September. The extended labour dispute at Lanigan was resolved in February 1987.

During 1987, progress was made in controlling the brine inflow situation at the International Minerals Corporation mine at Esterhazy (PCS Mining shares in Esterhazy production through an Operating Agreement).

Public Participation

Initiatives were undertaken in 1988 whereby assets of certain Crown corporations were sold to private sector corporations. The following is a brief description of each transaction.

- On February 23 and 24, 1988 a series of agreements were signed whereby SaskTel, Saskatchewan Computer Utility Corporation and a subsidiary of CIC sold certain operating assets to Westbridge Computer Corporation (Westbridge). The consideration was \$23.2 million in notes payable plus common shares providing the above noted companies with a majority ownership interest in Westbridge.
- In 1988, Saskatchewan Minerals entered into agreements whereby it sold substantially all of its operating assets and will receive approximately \$15.9 million in consideration.
- In June 1988, the forest products operations of a subsidiary of CIC were sold to NorSask Forest Products Inc.
- On April 22, 1988 Saskatchewan Oil and Gas Corporation (Saskoil) and SaskPower entered into an oil and gas properties acquisition agreement under which Saskoil purchased the interest of SaskPower and an affiliated company in substantially all of their petroleum and natural gas properties. The purchase price for the oil and gas properties was \$325 million paid in cash, securities and royalty interests. The transaction was completed on June 3, 1988 with an effective date of May 1, 1988.

Under this agreement SaskPower acquired 13 million Saskoil common shares for which SaskPower agreed to effect an offering of exchangeable bonds to the public.

- On February 22, 1988, CIC, Canada Development Investment Corporation and the Governments of Saskatchewan and Canada signed a Letter of Intent which provides for the sale of substantially all of the assets of SMDC to a new corporation. Simultaneously, substantially all of the assets of Eldorado Nuclear Limited (Eldorado) will also be sold to the new corporation, Canadian Mining and Energy Corporation. As consideration for the sale, the Letter of Intent provides that Eldorado and SMDC will receive shares and notes of the new corporation which will give control of the new corporation to SMDC and would give Eldorado minority shareholding. The Letter of Intent contemplates that the new corporation notes will be repaid after the completion of the transaction from financing proceeds.

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